

NO ANALYSIS REQUIRED

Author: Wayne Analyst: Jeff Garnier Bill Number: AB 305

Related Bills: AB 230 (97/98) Telephone: 845-5322 Amended Date: 1-28-98

Attorney: Doug Bramhall Sponsor: _____

SUBJECT: Legislative Intent to Conform to Federal Self-Employed Health Insurance Deduction

- ____ ANALYSIS NOT REQUIRED of this bill -- Not within scope of responsibility of this department.
- ____ TECHNICAL BILL -- No program or fiscal changes to existing program.
- ____ BILL AS AMENDED NO LONGER WITHIN SCOPE of responsibility or program of the department and should be reviewed for reassignment to another department.
- ____ TECHNICAL AMENDMENT - No change in previously submitted analysis required. Approved position of prior analysis is _____.
- ____ MINOR AMENDMENT - No change in previously submitted analysis required. Approved position of prior analysis is _____.
- ____ MINOR AMENDMENT - No change in approved position of _____. See comments below.
- ☒ OTHER - See comments below.

COMMENTS:

The bill as amended on May 8, 1997, would have changed the existing deduction from gross income of 25% of a self-employed individual's cost for health insurance to 100% of the amount paid, limited to specified amounts.

The **January 28, 1998 amendment** struck the prior language and replaced it with Legislative intent that commencing with taxable years beginning on or after January 1, 1998, California shall begin to conform to the federal deduction of health insurance costs of self-employed individuals by substituting 35% for 25% for taxable years beginning on or after January 1, 1998, and 45% for taxable years beginning on or after January 1, 2000.

For taxable years beginning in 1997, the deductible percentage for self-employed health insurance costs, under California law, is 40% (SB 455, Stat. 1997, Ch. 611). For taxable years beginning on or after January 1, 1998, the California percentage reverts to the pre-1997 percentage of 25% (SB 1233, Stat. 1997, Ch. 612). The federal percentage is incrementally increased from 45% to 100% between the years 1998 and 2007.

The bill as amended January 28, 1998, no longer impacts the Franchise Tax Board.

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE

____ GOVERNOR'S APPOINTMENT

Board Position:

____ S ____ O
____ SA ____ OUA
____ N ____ NP
____ NA ☒ NAR
____ PENDING

Agency Secretary Position:

____ S ____ O
____ SA ____ OUA
____ N ____ NP
____ NA ____ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ____
Position Disapproved ____
Position Noted ____

Franchise Tax Board Staff Date
Jeff Garnier 2/17/98

Agency Secretary Date

By: Date: